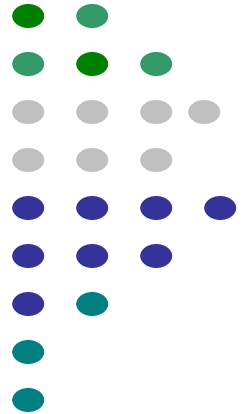


Indiana



Telephone Assistance Program
Lifeline & Link-up



Annual Report

**Indiana Office of Utility
Consumer Counselor**

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Executive Summary

The following report reviews how Indiana has implemented the federal Lifeline and Link-Up program over the last five years. This report summarizes data of the Universal Service Administration Company (USAC) and U.S. Census Bureau regarding Indiana's subscribership¹, participation rate², percentage of households with telephones compared to surrounding states, percent of households with telephones by income, and the distribution of Lifeline and Link-Up support. Additionally, this report provides a brief analysis of Indiana's two Lifeline and Link-Up promotional campaigns along with detailed information on promotional activities.

Indiana's participation rate in the federal Lifeline and Link-Up program is low compared to the rest of the nation. The low participation rate has prompted the Indiana Office of Utility Consumer Counselor (OUCC) and the Indiana Utility Regulatory Commission (IURC) to question the effectiveness of Indiana's program policies. In 2002, the FCC calculated Indiana's participation rate to be at 13%, compared to the nationwide take rate of 33%³. In recent projected calculations performed by the FCC, Indiana's participation rate was estimated to increase between 14% and 16% by 2005. The FCC's May 2006 Telephone Subscribership Report shows Indiana's 2005 average penetration rate to be 90.8% as compared to the national annual penetration rate of 92.9%. In September 2005, there were 56,013 households enrolled in the Lifeline program as compared to 50,268 Indiana households in December 2004. Hoosiers received \$5,160,841 in Lifeline benefits in 2004.

The OUCC and the IURC have actively worked together over the last five years to increase the Lifeline and Link-Up participation rate. In 2000, AT&T Indiana (f/k/a SBC Indiana) provided the necessary funds through commitments made in its "Opportunity Indiana 2000" Alternative Regulatory Plan (ARP) to launch a promotional campaign to educate Indiana consumers about Lifeline and Link-Up. In 2005, AT&T and Verizon provided additional funding through their ARP settlements to collaborate with the OUCC and IURC in developing a more extensive advertising, marketing and grassroots Telephone Assistance Program (TAP) campaign. The goal was to capture the attention of a larger number of eligible Hoosiers, and look for ways to improve the effectiveness of both programs so Indiana's participation rate would increase. Analysis of campaign summaries and focus group results in both campaigns indicates that advertising and marketing campaigns did not resonate with eligible consumers in the expected manner. What was most successful in reaching eligible consumers were grassroots campaign initiatives that focused on educating and distributing educational material to agencies, organizations and individuals that eligible consumers are most

¹ "Subscribership" is used to describe the number of households that are eligible for Lifeline and Link-Up benefits and actually receiving them.

² "Penetration rate" is the ratio of enrolled subscribers to the eligible population.

³ Report and Order and Further Notice of Proposed Rulemaking, WC Docket 03-109, In the Matter of Lifeline and Link-Up, Released No. FCC 04-87, (Re. April 29, 2004) Table 1-A.

likely to contact and trust. The lengthy enrollment process is another barrier that focus groups said hindered their participation in Lifeline and Link-Up. They suggested a “one-stop” technology that would assist them in getting enrolled in the program.

In summary, after five years of Lifeline and Link-Up promotional campaigns, Indiana has only seen a small percentage increase between 14% and 16% in the participation rate.⁴ Recent research⁵ done by the OUCC substantiates the Federal Joint Board’s research that states that employ an on-line verification or automatic enrollment mechanism, implement aggressive outreach efforts, and create intrastate multi-agency cooperation facilitate increases in Lifeline and Link-Up participation among eligible consumers. Continuing the strong relationships developed during the recent TAP campaign will be essential for the success of future initiatives. Additionally, developing a partnership with the Indiana Family and Social Services Administration (FSSA) to trigger eligibility for Lifeline and Link-Up when Hoosiers enroll in social service programs appears to be the most effective way of capturing eligible consumers and increasing Indiana’s participation rate.

⁴ Report and Order and Further Notice of Proposed Rulemaking, WC Docket 03-109, In the Matter of Lifeline and Link-Up, Released No. FCC 04-87, (Re. April 29, 2004) Table 2-D.

⁵ See Appendix B for “Overview of Automatic Enrollment and On-Line Verification States.”

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I. Background

The Lifeline and Link-Up Program is part of a nationwide effort created in 1984 by the Federal Communications Commission (FCC) to provide low-income consumers with access to affordable telephone service. In the early 1980's, states that accepted the FCC's offer to participate in the Lifeline program had their monthly Subscriber Line Charge (SLC)⁶ of \$3.50 waived by the FCC, if the state contributed an equal amount of \$3.50 in credit to Lifeline customers' phone bills. Under the Telecommunications Act of 1996, the FCC substantially changed the federal Universal Service Program by opening it up to states with and without their own programs to provide low-income consumers with telephone service.⁷ The Lifeline subsidy provides low-income households with discounts on their monthly telephone service costs in the form of a credit. The Link-Up benefit reduces initial costs of telephone installation in the form of a credit totaling 50 percent of the customer's connection charge (with a \$30 maximum limit).

The Indiana Utility Regulatory Commission (IURC) responded to the 1996 Act by initiating an investigation (Cause No. 40785) which authorized Indiana consumers and carriers to participate in the FCC's "Lifeline" telephone program.⁸ In April 2004, the FCC modified the existing rules to the federal Lifeline and Link-Up subsidies to improve their effectiveness.⁹ It expanded the eligibility criteria, tightened the certification/verification procedures for states that do not have their own state funded programs and required telecommunication providers to maintain records for 3 full years. In response to the order, the IURC opened an investigation to determine if Indiana should establish a state Lifeline and Link-Up program or continue to be a federal "default" state.¹⁰ On July 28, 2005 the Commission ordered (in Cause No. 42144-S1) that a state funded Lifeline and Link-Up program would not be established at the time. In 2006, the Indiana General Assembly approved a telecommunications deregulation bill, House Enrolled Act 1279, which instructed the IURC to create a State Lifeline Assistance Program by July 2009.¹¹

⁶ The federal SLC waiver is funded through the federal Universal Service Fund (USF), which receives its support from fees paid by interstate telecommunications carriers. It is now known as the "End User Common Line Charge."

⁷ Pub. L. No. 104-104, 110 Stat. 56. The Telecommunications Act of 1996 (the 1996 Act) amended the Communications Act of 1934 (the Act).

⁸ "In the Matter of the Investigation on the Commission's Own Motion Into Any and All Matters Relating To Access Charge Reform And Universal Service Reform Including, But Not Limited To, High Cost Or Universal Service Funding Mechanisms Relative To Telephone And Telecommunications Service Within The State Of Indiana"; Cause No. 40785, (November 5, 1997).

⁹ Report and Order and Further Notice of Proposed Rulemaking, WC Docket 03-109, In the Matter of Lifeline and Link-Up, Released No. FCC 04-87, (Re. April 29, 2004) Table 1-A.

¹⁰ A **federal default state** is a state that has not created its own state Lifeline and Link-Up program, but instead implements the federal Lifeline and Link-Up program.

¹¹ Section 59 of HEA 1279 to be codified at Indiana Code 8-1-36-8.

II. Program Support

Indiana carriers that are granted Eligible Telecommunication Carrier (ETC) status must provide low-income Hoosier households access to the federal Universal Service Lifeline and Link-Up program.¹² Federal Communications Commission (FCC) rules establish four levels of Lifeline support, referred to as "**Tiers**." The level of support provided for each Tier is detailed below.

- **Tier 1** support is available to all eligible Lifeline subscribers and is equal to the incumbent ETC's federal tariff subscriber line charge (SLC). The Tier 1 support is a credit for the federal SLC **capped at \$6.50**.
- **Tier 2** support provides **an additional \$1.75 per month** credit to the subscriber if the carrier certifies that it will pass through the full amount of Tier 2 support to its qualifying low-income consumers and if the carrier has received any non-federal regulatory approvals necessary to implement the required rate reduction.
- **Tier 3** offers an additional amount of federal Lifeline support equal to one-half the amount of any state-mandated Lifeline (state Lifeline program) support, or one-half of any Lifeline support provided by the carrier, **up to a maximum of \$1.75 per month**. Indiana telecommunications companies do not currently provide this credit. *An incumbent local exchange carrier (ILEC) must receive at least \$3.50 per month from the Indiana Universal Service Fund (USF) in order to qualify for the maximum \$1.75 additional federal support.
- **Tier 4** is available only to eligible subscribers living on tribal lands; it provides an additional credit of \$25.00 per month.

III. Customer Eligibility

Program Based

Indiana is one of five states that do not have a state funded Lifeline/Link-Up program. Consequently, we are considered a federal default state.¹³ To participate in the federal program, Indiana consumers must certify under penalty of perjury that they qualify for *at least* one of the following:

¹² To qualify as an ETC, a carrier must offer services that are supported by federal Universal Service support mechanisms and advertise through media distribution the availability of the services and charges.

¹³ A **federal default state** is a state that has not created its own state Lifeline and Link-Up program, but instead implements the federal Lifeline and Link-Up program.

Program	Program Eligibility as a % of Poverty Level	Max Yearly Income for a Family of Four
Temporary Assistance for Needy Families (TANF)	100%	\$19,157
Food Stamps	130%	\$25,155
National School Free Lunch Program (NSL)	130%	\$25,155
Low Income Home Energy Assistance Program (LIHEAP)	125%	\$24,187
Federal Housing Assistance (FPHA) (Section 8)	Generally 50% of area median income (AMI), but can be up to 80% in some cases; 75% of new voucher must go to families with incomes below 30% of AMI	N/A
Supplemental Security Income (SSI)	SSI Confirmation	N/A
Medicaid	Meet most or all of the TANF requirements	N/A

Link-Up is a companion program to Lifeline that provides consumers with a 50% reduction in the telephone connection charge, up to a maximum of \$30.

Income Based

Additionally, Indiana consumers with annual incomes at or below 135% of the Federal Poverty Guidelines (FPG) are eligible to participate in the Lifeline and Link-Up programs. HEA 1279 – approved by the Indiana General Assembly and signed into law by Governor Mitch Daniels on March 14, 2006 – will create a State Lifeline Assistance Program and require that the Lifeline and Link-Up income-based eligibility criteria for basic service be raised to 150% of FPG by 2009.

To be at or below 135% of FPG, a household's total income must be less than the following:

Family Size	Lower 48 / DC	Hawaii	Alaska
1	\$13,230	\$15,215	\$16,538
2	\$17,820	\$20,493	\$22,275
3	\$22,410	\$25,772	\$28,013
4	\$27,000	\$31,050	\$33,750
5	\$31,590	\$36,329	\$39,488
6	\$36,180	\$41,607	\$45,225
7	\$40,770	\$46,886	\$50,963
8	\$52,164	\$52,164	\$56,700

The amounts provided are based on January 24, 2006 data from the U.S. Department of Health and Human Services (HHS). For each additional person in the household beyond eight, add \$4,590 for persons living in the lower 48 and DC, \$5,738 for Alaska, and \$5,279 for Hawaii to the income eligibility requirements.

IV. Carrier Eligibility

The Telecommunications Act of 1996, 47 U.S.C. § 151, et seq., applicable FCC rules in 47 C.F.R., and Title 8 of the Indiana Code allow the IURC to designate a common carrier that meets certain requirements as an Eligible Telecommunication Carrier (ETC). An ETC can be an incumbent local exchange carrier (ILEC) or a competitive local exchange carrier (CLEC) that uses landline or wireless technology. A carrier that is granted ETC status will be able to apply for universal service support under 47 U.S.C. § 254 in accordance with generic IURC orders in Cause Nos. 40785, 41052 and 42067. To qualify as an ETC, a carrier must offer services that are supported by federal Universal Service support mechanisms and advertise through media distribution the availability of the services and charges.

All of Indiana's ILECs have been designated as ETCs by the IURC. SEI and Hancock Communications are the only competitive CLECs that have been granted ETC status in Indiana. In 2004, the IURC additionally granted ETC status to two wireless companies, Nextel/SprintCom and Centennial Wireless.¹⁴

V. Lifeline Subscribership and Participation Rates

Table 1 shows the number of Indiana Lifeline Subscribers from December 2000 to September 2005. The data reveal that Indiana's participation rates increased from 2000 to 2003. 2004 figures show a significant drop in participants, but participation levels are trending up again by September 2005. Link-Up participation decreased considerably in 2003, but rose again in 2004. The increase in participants during the period 2000 to 2003 and the year 2005 coincide with the 2001 implementation of the Opportunity Indiana 2000 Lifeline and Link-Up campaign funded by SBC Indiana and the 2005 Telephone Assistance Program (TAP) campaign funded by AT&T and Verizon through their alternative regulatory commitments. The increase between 2004 and 2005 may also reflect additional Lifeline-eligible households who qualified due to the FCC expanding the eligibility criteria.

¹⁴ See Appendix A, "IURC ETC List."

Table 1 **Indiana Lifeline Subscribership**

Year	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Sept. 2005
Lifeline Subscribers	21,358	31,688	40,496	60,481	50,790	56,461
Link-Up Subscribers	5,978	13,250	21,517	12,874	23,905	25,100

Source: Universal Service Administration Company FCC L108 and L109 filings.

Table 2 reflects an increase in Indiana's Lifeline participation rates from 2002 to 2005. The 2005 data reflect the Lifeline eligible households that qualified under the additional eligibility criteria implemented by the FCC.

Table 2 **Indiana Lifeline Participation Rate**

	a (CPSH data) Households in 2002	b (CPSH data) % of Households that would qualify for Lifeline	c=a*b Eligible Households	d (USAC data) Lifeline Enrollment	e=d/c Participation Rate
2002	2,501,325	12.4%	309,568	40,326	13.0%
	a (Forecasted Households in 2005)	b(Additional households that would qualify under 1.35 PGC	c=b/a Additional % Households that qualify due to 1.35 PGC	d=b*e Additional Lifeline takers Low/High	Table 2.D Additional Participation Rate Low/High
2005	2,881,893	289,098	10%	41,889/46,369	14%/16%

Source: Current Population Survey of Households (CPSH)
Universal Service Administration Company (USAC)
FCC 04-87, Table 2D

Table 3 data starts with 1996, the year the IURC authorized Indiana consumers and carriers to participate in the Lifeline and Link-Up program, and goes through 2005. From 1996 to 2004, telephone penetration rates decreased significantly for Indiana's poorest consumers. In 2004, landline telephone penetration decreased significantly. Additionally, the table compares Indiana's data to the surrounding four states and Michigan is the only state that experienced a similar decrease in telephone penetration as Indiana. Indiana's current Lifeline estimated participation rate of 14% to 16% may suggest that low-income consumers choose not to participate in Lifeline or are unaware of it.

Percentage of Households with a Telephone by State

Table 3 (Indiana and surrounding states)

	Indiana	Illinois	Kentucky	Michigan	Ohio
1996	93.7	93.0	93.0	93.0	94.5
1997	93.8	92.2	92.2	92.2	94.6
1998	94.4	92.8	92.8	92.8	95.6
1999	93.8	91.8	92.8	94.2	94.7
2000	94.5	91.5	93.3	95.0	94.8
2001	93.9	92.5	93.5	94.7	96.0
2002	93.4	92.8	95.0	94.3	95.9
2003	93.5	91.7	94.6	94.3	96.3
2004	91.8	90.1	91.4	93.7	94.9
2005	90.8	89.6	91.3	92.6	94.1

Source: FCC May 12, 2006 Telephone Subscribership Report

The years selected for Table 4 coincide with start of Indiana's Lifeline participation in 1996. The data in Table 4 shows that from 1996 through 2004, telephone penetration rates decreased significantly for Indiana's poorest consumers. In 2000, there was a spike in the percentage of low-income participants which could reflect the first informational campaign funded under the 2000 settlement agreement with SBC Indiana. As mentioned above, this suggests that many low-income Hoosiers either choose not to participate in the program or are unaware of its existence.

Table 4 Percentage of Indiana Households with Telephone Service

Household Income	1996	1997	1998	1999	2000	2001	2002	2003	2004
\$9,999 or <	92.7	91.6	84.5	83.3	92.4	85.3	88.5	87.5	83.9
\$10,000-\$19,999	92.3	93.3	90.6	97.1	92.7	93.5	94.1	91.4	91.5
All Households	94.7	94.3	93.9	93.8	95.7	94.0	94.8	94.1	91.6

Source: FCC Telephone Presentation Report by State (March 2005)

Table 5 depicts the distribution of Lifeline support from 2001 to 2005. The data show that from 2001 to 2004, Indiana's low-income support increases each year. The 2005 total reflects only 9 months of recorded income support.

Table 5 Indiana's Low Income Support

	Lifeline	Link-Up	TLS¹⁵	Total
2001	\$2,610,208	\$313,960	\$1,070	\$2,925,238
2002	\$3,589,971	\$511,391	\$1,275	\$4,102,637
2003	\$4,206,785	\$344,028	\$1,439	\$4,552,252
2004	\$4,583,893	\$575,185	\$1,763	\$5,160,841
2005 (9mo)	\$3,796,187	\$444,394	\$1,696	\$4,242,277

Source: Universal Service Administration Company (USAC), FCC, Appendix L107.

¹⁵ Total Subscriber Line Charge (TLC) – This is a charge authorized by the FCC for companies to assess on residential and business customers in order to recover a portion of the costs of providing service that are not included in basic rates.

VI. Regulatory Action

A number of regulatory actions at the state and federal levels have impacted Indiana's Lifeline and Link-Up program.

A. Federal Communications Commission (FCC)

1. In the Matter of Lifeline and Link-Up – WC Docket 03-109 - The FCC released in 2004 its Report and Order and Further Notice of Proposed Rulemaking regarding the federal Lifeline and Link-Up program. The FCC order expanded the federal default eligibility criteria for Lifeline and Link-Up to include the National School Free Lunch Program (NSFL), Temporary Assistance for Needy Families (TANF), and incomes at or below 135% of the Federal Poverty Guidelines (FPG).

The household income of a child that qualifies for the NSL program must be at or below 130% of the FPG which is \$25,155 for a family of four.

B. Indiana Utility Regulatory Commission (IURC)

1. Cause No. 40785 – On March 26, 1997 the IURC initiated an investigation into all matters relating to Access Charge reform and Universal Service reform. The Commission looked at forward-looking economic costs (FLEC) models, how to designate ETCs so they could receive compensation from the Universal Service Fund (USF), approval of tariffs for Lifeline and Link-Up, and the selection of a new administrator for the Indiana High Cost Fund.¹⁶

This docket resulted in the Commission capping the level of the Traditional DEM Weight Fund (TDWF) and Rural Local Exchange Company (RLEC) disbursements with funding level in place. The Commission supported participation in the federal Lifeline and Link-Up program and stated the following three reasons for not creating a state fund: 1) there was not enough time to set up state matching/funding mechanisms during the investigation, 2) no third party administrator was in place to administer the fund, and 3) no evidence was shown during the proceeding that the additional amount required would ensure affordability. In this docket, the Commission created a generic Lifeline and Link-Up application, Lifeline and Link-Up Tariff Filing instructions and an ETC application (Cause 41052-ETC). Additionally, the Commission stated that a telecommunications carrier desiring to be declared an ETC for purposes of receiving interstate USF funding may file a concurrence in IURC T-7, Lifeline and Link-Up tariff or may file a stand alone tariff for such low-income programs. The Commission created an intermediate advisory committee to help choose a third party administrator for the High Cost Fund.

¹⁶ See In re: The Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Released May 8, 1997 (“Universal Service Order”)

2. Cause No. 41052 – This docket established how Indiana carriers became ETC designated. On June 28, 2000, the IURC opened up an investigation in this docket again to address the May 31, 2000 FCC Order adopting integrated interstate Access Reform and Universal Service. The FCC increased the Subscriber Line Charge (SLC)¹⁷ from \$3.50 to \$4.35.

The IURC set forth in its Order that effective July 1, 2000, the existing T-7 Lifeline tariffs and existing tariffs would be modified to reflect an increase in the waived SLC¹⁸ charge from \$3.50 to \$4.35. The Order additionally stated that future changes in Lifeline tariffs are to be done using the Commission's 30-day filing procedures.

3. Cause No. 42067-HLS – This docket addressed annual certification for ETCs regarding high cost Universal Service funding for all eligible rural telecommunications carriers.

4. Cause No. 42144 - The IURC launched this investigation to examine the effects of intrastate access charge rate structures and universal service policies for rural companies due to the FCC's MAG Plan Order. Due to the complexity of these issues, the Commission broke the investigation into two phases. In Phase 1, the Commission examined whether to continue to mirror interstate access rates. Phase 2 focused on the need and potential creation of a state universal service fund. The Commission and the formal parties chose an informal workshop approach as the best method in which to examine the many complex issues associated with a state Universal Service fund.

5. Cause No. 42144-S1 – For Phase 2 of 42144, the IURC initiated sub-docket 42144-S1 to examine if Indiana should create a state fund for the Lifeline and Link-Up low-income support program. The Commission issued an Order that stated: 1) a state-specific Lifeline Link-Up program is not needed for Indiana at this time; 2) Indiana ETCs are directed to implement the FCC's¹⁹ two new program-based criteria (Temporary Assistance to Needy Families [TANF] and the National School Free Lunch Program) and income-based eligibility criterion of 135% of FPG for a minimum period of one year. The two new criteria should be implemented by June 22, 2005 as established by the FCC's Erratum to its Lifeline Order.

¹⁷ Total Subscriber Line Charge (TLC) – This is a charge authorized by the FCC for companies to assess on residential and business customers in order to recover a portion of the costs of providing service that are not included in basic rates.

¹⁸ Id.

¹⁹ Report and Order and Further Notice of Proposed Rulemaking, WC Docket 03-109, In the Matter of Lifeline and Link-Up, Released No. FCC 04-87, (Re. April 29, 2004)

VII. Statutory Developments Impacting Indiana's Lifeline Program

House Enrolled Act 1279 – Indiana's new telecommunications deregulation law that was signed by Governor Mitch Daniels in March 2006 – directs the IURC to create a State Lifeline Assistance Program by 2009. Currently, Indiana is considered a default state. It is anticipated that the IURC will conduct a number of new rulemaking proceedings to implement a state-level Lifeline program. Under the new statute, the following timeline was created regarding the new state program:

- The IURC shall have administrative rules in place for the new State Lifeline Assistance Program by 7-1-08. [Sec. 8-1-36-8]
- The IURC's new State Lifeline Assistance Program takes effect by 7-1-09. [Sec. 8-1-36-9]

VIII. Lifeline Promotional Highlights

The OUCC has developed several promotional initiatives to inform consumers and to help increase Lifeline participation since 2000, but none have been as comprehensive as the 2005 -2006 efforts. The OUCC's External Affairs Division created and implemented new promotional ideas and built upon prior activities. Some of the highlights from the 2005-2006 Lifeline activities are:

Back-to-School Lifeline Promotion:

In 2005, the OUCC formed a partnership with the Indiana Department of Education (IDOE) to provide Lifeline and Link-Up Telephone Assistance Program applications in back-to-school informational packets. IDOE provides the application and a cover letter to school administrators via its Website to download with all of the other forms that are placed in the back-to-school informational packets. Last year, the OUCC received numerous calls from superintendents and principals who wanted to learn more about the program. It is important for the schools to be able to contact the parents and this was a program they could refer parents to who could not afford a telephone.

Community Events:

External Affairs continually seeks community events where Lifeline and Link-Up educational materials can be provided and discussed with consumers. In 2005, Lifeline information was offered at the agency's consumer education booths at several events, including the Indiana State Fair, Indiana Black Expo Summer Celebration, Fiesta Indianapolis and other Hispanic/Latino events, Senior Expos in three metropolitan Indianapolis counties, other senior citizens events, and the Earth Day Indiana Festival.

Community Presentations:

External Affairs has reached out to eligible individuals on a more personal level by arranging and providing educational presentations within communities across the state. Examples of groups visited in 2005 are the Community Action Agencies, Head Start parents, and social service case workers. .

Outreach Materials:

The OUCC has created Lifeline and Link-Up consumer fact sheets (in English and Spanish versions) and applications (including English and bi-lingual English/Spanish versions) to provide to Indiana consumers. These documents are available on our agency's Website, displayed in our lobby, made available at all public outreach events in which the agency participates, and displayed in numerous community libraries throughout the State.

IX. Educational Outreach Activities

In 2001 the OUCC, IURC, and SBC Indiana formed a consumer education committee that was funded through a SBC Alternative Regulatory Plan (ARP) settlement. The committee hired Public Strategy, Inc. to conduct focus groups with Indiana consumers to determine their attitudes toward telephone service and what concerns they had regarding telephone service.

The committee reviewed the data provided by Public Strategy, Inc and decided to implement an education program for Indiana consumers on the benefits of the federal Lifeline and Link-Up program. Yates Advertising was hired to develop the Lifeline and Link-Up campaign. The campaign consisted of:

- Public service announcements;
- Direct mail;
- Posters;
- Videos;
- Brochures;
- Bus billboards

Following this campaign, the consumer education committee hired Indianapolis-based Borshoff Johnson Matthews to redesign and publish the OUCC's Telecommunications Consumer Handbook. The "OpenLines" branding concept for the handbook was extended to the rest of the agency's general telecommunications consumer information,

X. Telecommunications Consumer Education Committee (TCEC)

In 2005, the OUCC, IURC, AT&T Indiana (f/k/a SBC Indiana) and Verizon formed a Telecommunications Consumer Education Committee (TCEC) in a collaborative effort to promote the federal Lifeline and Link-Up programs in Indiana. Funding for this campaign was also secured through commitments made by AT&T Indiana and Verizon in their alternative regulatory plan (ARP) settlements approved in 2004. First, TCEC hired Smithmark Marcom to conduct focus groups to determine Indiana consumer's awareness of the Lifeline and Link-Up programs. The focus groups demonstrated that there was little awareness of these federal programs. The focus group results in addition to Indiana's low participation rate convinced TCEC to retain Hirons & Company and Infinite, Inc., two local private-sector firms that specialize in advertising, marketing and grassroots outreach, to conduct a comprehensive campaign for approximately \$500,000. The Lifeline/Link-Up campaign adopted the "Telephone Assistance Program" (TAP) logo to end the confusion by consumers on the type of

assistance these programs provide. The overall media campaign targeted 11 counties in three separate regions of the state. Additionally, Hiron and Infinite formed a partnership and developed a massive outreach and grassroots campaign that targeted Lake and Marion County, two counties that have the highest poverty and minority population. Once the targeted areas were determined, census data and research were used to determine the zip codes in each county that would benefit the most from TAP outreach.

A variety of different promotional and marketing tools were used in the massive outreach campaign, including:

- Radio advertising;
- Newspaper advertising;
- Billboards;
- Outdoor advertising on public buses;
- Advertisements in high school sports programs (in smaller communities);
- Door-to-door canvassing and other grassroots outreach targeting zip codes with high levels of income-eligible consumers in Indiana's two most populous counties (Lake and Marion); and
- Public relations efforts, including news releases and media interviews.

Activities to promote the federal Lifeline and Link-Up program in Indiana have been occurring on a low scale basis since 1997, but no activity has been as comprehensive as the recent effort by the TCEC.

XI. Effectiveness of Procedures to Promote Participation

Despite the fact that Lifeline and Link-Up are services that have been available for almost a decade, grassroots campaign results revealed there is still a considerable lack of knowledge among eligible Indiana consumers that these programs exist. Less than 2 percent of the over 20,000 homes canvassed by Infinite in the targeted counties reported prior knowledge of the program even though an overwhelming majority of targeted areas had consumers that qualified for the program.

Infinite's staff experienced a substantial amount of apprehension to even taking information on Lifeline and Link Up when interacting with this targeted demographic. This became particularly problematic in instances where community leaders were not involved. Among the population Infinite interacted with, there was a clear belief that neither state agencies nor "big business" are concerned with the needs of low-income families. In fact, there was a general belief that businesses would not provide discounts for service in any capacity to this population. Infinite recorded that many consumers felt at first the effort was an attempt to ultimately get consumers to spend additional resources on phone services they may not need.

The results of this campaign clearly show that two of the main barriers for the Lifeline and Link-Up program are 1) lack of knowledge 2) lack of trust by eligible consumers and 3) the inconvenience of mailing an application in.

XII. Recent Educational Incentives/Results

The results of the Infinite's grassroots activity provided information on the barriers that need to be addressed in the future if the group is to continue the Lifeline and Link-Up grassroots campaign. One solution Infinite mentioned would be to have the committee or its representatives "pre-register" the consumer by collecting the prospect's contact information or collecting applications immediately instead of asking consumers to do so on their own. This type of initiative would give the consumer a sense that action on his or her need has started immediately and that he or she has assistance in completing the process. Additionally, Infinite recommended that the committee consider conducting telecommunication education workshops in the targeted locations to help consumers better understand the services and products that are available to them. These types of interactive sessions would allow consumers to ask questions and receive the feedback they need. The result of Infinite's street team approach, meeting with consumers one on one, caused consumers to shift their attitudes as they believed Infinite's street team was respectful of their needs. Infinite's street team developed a relationship with numerous community and faith-based organizations who agreed to assist with the program. Therefore, Infinite recommends that the committee follow up with the community and faith-based partners secured during the campaign to keep them engaged in the educational activities of Lifeline and Link-Up. The partnerships they built were open to receiving education and resource information to distribute to their communities.

XIII. Conclusion

The impact on Indiana's participation in Lifeline and Link-Up programs due to the FCC's 2004 Order expanding customer eligibility to include the income-based standard of 135% of Federal Poverty Guidelines, the National School Lunch Program and TANF is inconclusive.²⁰ The OUCC and IURC need to continue to closely monitor participation rates by utilizing the results of studies and surveys to determine if the expansion of eligibility has had an impact.

In addition to monitoring the expansion of eligibility, the recent information gathered through focus groups to determine the impact of the 2005-2006 Lifeline and Link-Up campaign has been helpful. TCEC recently hired Smithmark Marcom to conduct six focus groups of a representative sample of low-income, Hispanic, and/or African American participants in Indianapolis and Gary that were targeted during the campaign.²¹ Additionally, Smithmark Marcom conducted two ethnographic field studies in Indianapolis, including visits to clinics, groceries, and community-based organizations. The objective of conducting these focus groups was:

²⁰ Report and Order and Further Notice of Proposed Rulemaking, WC Docket 03-109, In the Matter of Lifeline and Link-Up, Order No. FCC 04-87, (Released April 29, 2004).

²¹ 2 Lake County (May 16, 2006); 3 Marion County (May 15, 2006).

- To determine if the lack of increase enrollment was due to a lack of awareness of the programs or if the process of enrollment was an impediment.
- To determine the effectiveness of the grassroots marketing plan.
- Investigate “one-stop” enrollment.
- To determine if there still is a need for continued communication on topics like “slamming/cramming” and phone cards.
- Provide an analysis of the successes or failures of the 2005-2006 campaign.

The results provided the following insight: 1) The 2005-2006 TAP campaign showed a limited increase in awareness of the Lifeline and Link-Up program in the targeted market groups, 2) The idea of creating a “one-stop” technology assisted enrollment was received favorably by focus groups participants, 3) Advertisements placed on radio, billboards and newspapers in locations of placement had limited recall, 4) All participants in the focus groups supported increasing the demand and need for this program, and 5) Awareness and interest were pronounced after conversations with eligible consumers.

Information from the focus groups in Lake County showed that the most significant barriers to enrollment are lack of awareness and distrust of support programs. Focus group participants expressed that community-based outreach efforts conducted by people or organizations trusted by the eligible enrollee are the most effective in getting people signed up.

Though Indiana has seen a slight increase in the Lifeline participation rate since 2002, continued expansion of the program will require an effort in developing new and innovative ways to increase awareness and streamline the enrollment process.

XIV. Future Directions

The OUCC is currently exploring the idea of creating a pilot automatic enrollment²² or on-line verification program.²³ In the April 2004 FCC Report and Order, the Federal and State Joint Board stated that one way states could increase their participation rates in the Lifeline and Link-Up programs was by creating an enrollment program that interfaces with government social services agencies. Currently, there are close to fifteen states that enroll their Lifeline and Link-Up participants through variations of on-line verification or automatic enrollment programs. Confidentiality and interfacing with government data bases have been the two main problems states have encountered in developing these programs. Variations of enrollment programs that have been created by other states have successfully found creative solutions to overcome confidentiality and interfacing issues.

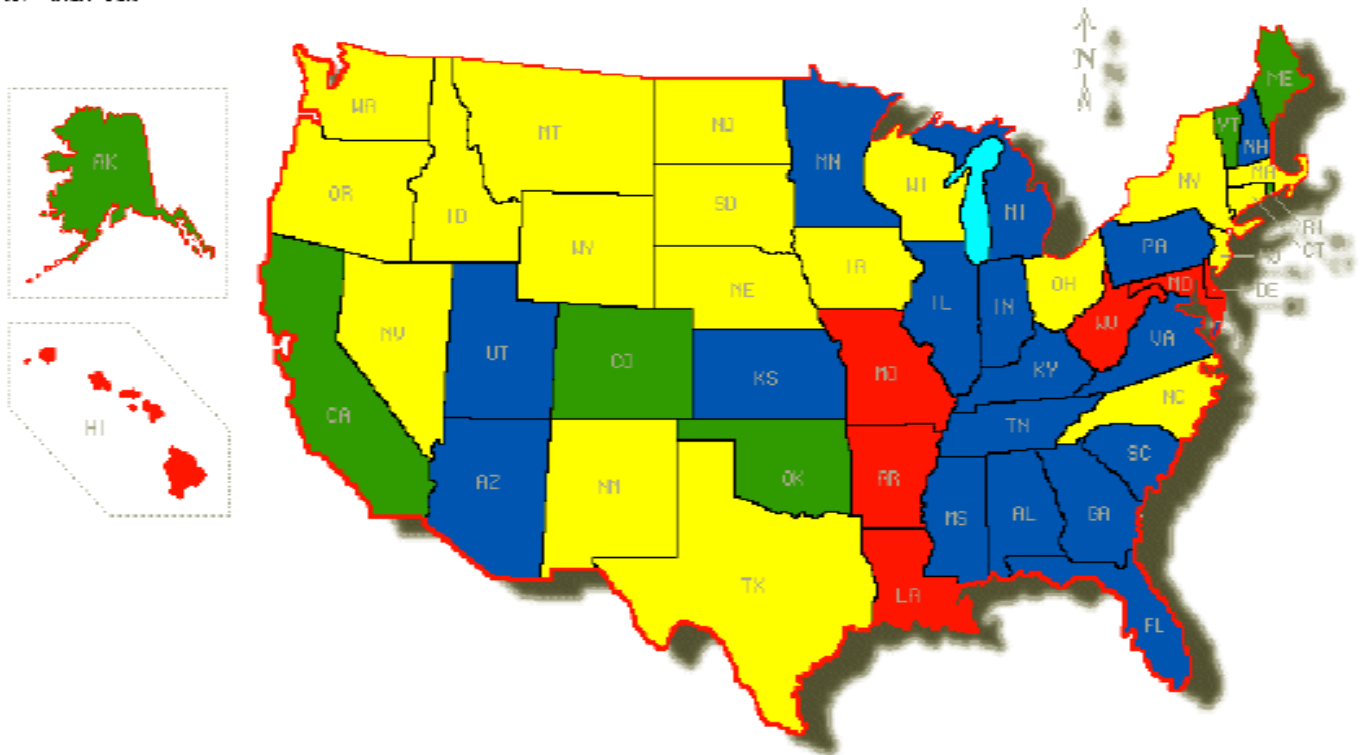
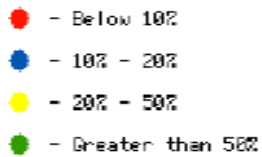
²² The definition of **automatic enrollment** in the Lifeline/Link-Up context is an “electronic interface between a state agency and the carrier that allows low-income individuals to automatically enroll in Lifeline/Link-Up following enrollment in a qualifying public assistance program.”

²³ **On-Line Verification** occurs on a periodic basis through “electronic interface” after the subscriber has already be certified to participate in the Lifeline/Link-Up program.

In Indiana, the Family and Social Services Administration (FSSA) and Community Action Agencies (CAA) administer the eligibility programs for Lifeline and Link-Up. Recently, the OUCC approached FSSA and the CAA agencies to request they explore forming a partnership similar to what FSSA recently developed with the Indiana Department of Education (IDOE). Currently FSSA and the IDOE have developed an on-line verification program for schools to use to verify if students qualify for the National School Free Lunch Program. The intra-governmental cooperation and planning for the IDOE programs demonstrates how an on-line verification or automatic enrollment program for Indiana's Lifeline and Link-Up program is possible.

Appendix A

Lifeline Participation Rates by State



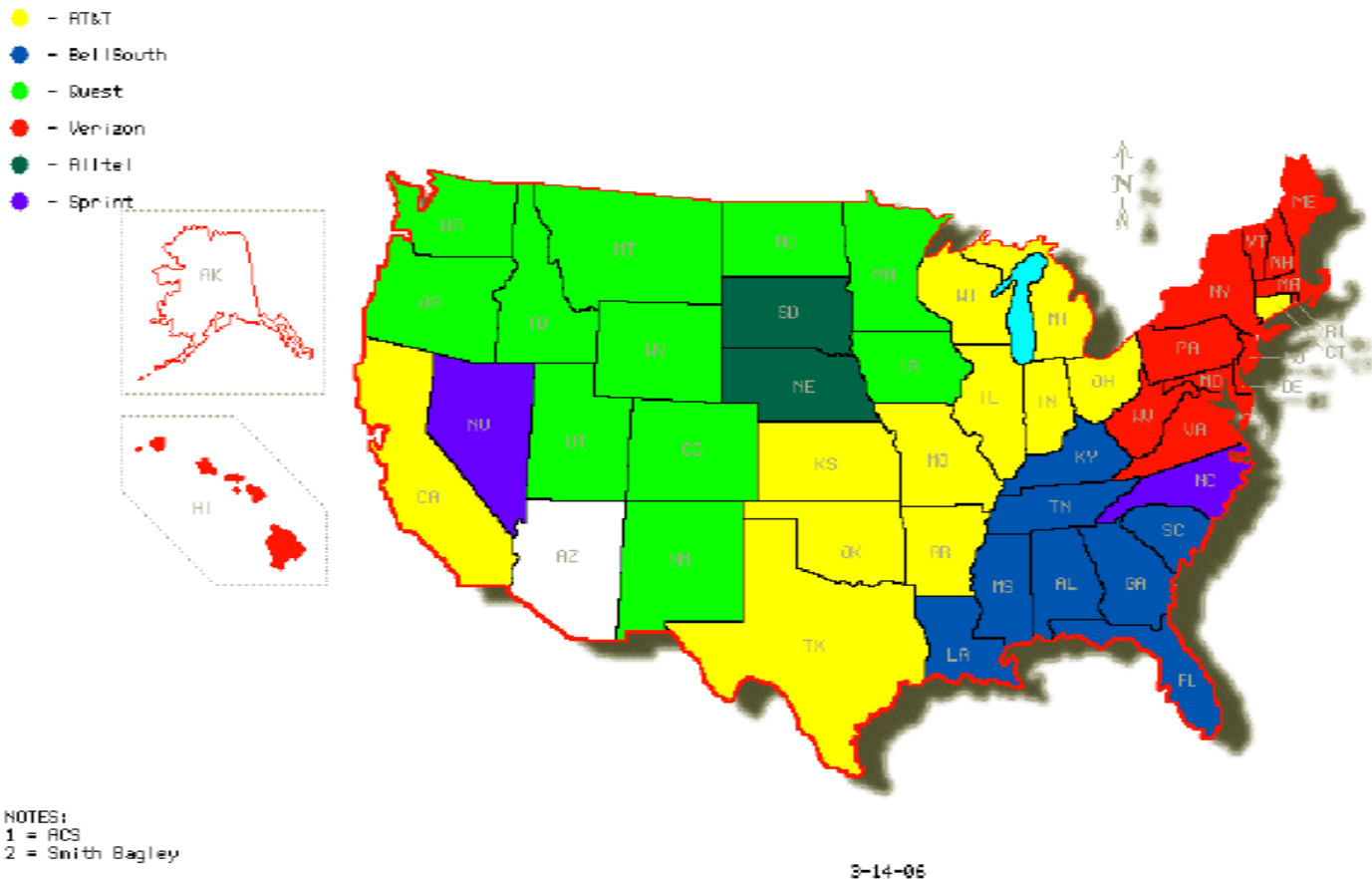
3-24-06

Notes:

Due to the intricacy and range of criteria that are used to determine eligibility for the Lifeline program and the limitations of the data used, the methodology employed to create this map involves several estimates, assumptions, simplifications, and omissions. Therefore, the rates generated on this map should be treated as estimates only.

District of Columbia = 10% - 20%

ETC with the most Lifeline Subscribers by State



Notes:

This map is based upon the total number of Lifeline subscribers as of July 2005. The data does not represent the percentage of Lifeline subscribers as a ratio of total number of subscribers.

1 = Alaska Communications Systems

2 = Smith Bagley

District of Columbia = Verizon

* The ETCs in Alaska and South Dakota with the most subscribers are both wireless ETCs.

**INDIANA UTILITY REGULATORY COMMISSION
ELIGIBLE RURAL TELECOMMUNICATION CARRIERS**

Updated 07/01/05

Smithville Telephone Company	41052 ETC 1
Tipton Telephone Company	41052 ETC 2
Communications Corporation of Indiana	41052 ETC 3
Communications Corporation of Southern Indiana	41052 ETC 4
Home Telephone of Pittsboro, Inc.	41052 ETC 5
Home Telephone Company, Inc.	41052 ETC 6
Camden Telephone Company, Inc.	41052 ETC 7
Bloomington Telephone Company, Inc.	41052 ETC 8
CenturyTel of Central Indiana, Inc.	41052 ETC 9
CenturyTel of Odon, Inc.	41052 ETC 10
Citizens Telephone Corp.	41052 ETC 11
Clay County Rural Telephone Coop., Inc.	41052 ETC 12
Craigville Telephone Company, Inc.	41052 ETC 13
Frontier Communications of Indiana, Inc.	41052 ETC 14
Frontier Communications of Thorntown, Inc.	41052 ETC 15
Geetingsville Telephone Company, Inc.	41052 ETC 16
Monon Telephone Company, Inc.	41052 ETC 17
Mulberry Telephone Coop, Inc.	41052 ETC 18
New Lisbon Telephone Company, Inc.	41052 ETC 19
Pulaski-White Rural Telephone Coop., Inc.	41052 ETC 20
S&W Telephone Coop.	41052 ETC 21
Southeastern Indiana Rural Telephone Coop., Inc.	41052 ETC 22
Sunman Telephone Corp.	41052 ETC 23
Swayzee Telephone Company, Inc.	41052 ETC 24
Sweetser Rural Telephone Company, Inc.	41052 ETC 25
Washington County Rural Telephone Coop.	41052 ETC 26
West Point Telephone Company, Inc.	41052 ETC 27
Yeoman Telephone Company, Inc.	41052 ETC 28
Ligonier Telephone Company, Inc.	41052 ETC 29
Daviess-Martin County Rural Telephone Corp.	41052 ETC 30
New Paris Telephone, Inc.	41052 ETC 31
Perry-Spencer Rural Telephone Coop., Inc.	41052 ETC 32
Hancock Rural Telephone Coop.	41052 ETC 33
Tri-County Telephone Company, Inc.	41052 ETC 34
Rochester Telephone Company, Inc.	41052 ETC 35
Merchants and Farmers Telephone Company	41052 ETC 36
United Telephone d/b/a Sprint	41052 ETC 37
Northwestern Indiana Telephone Company, Inc.	41052 ETC 38
SBC Indiana	41052 ETC 39
Verizon	41052 ETC 40
Cincinnati Bell	41052 ETC 41
Hancock Communications, Inc.	41052 ETC 42
Nextel Partners, Inc.	41052 ETC 43
SEI Data	41052 ETC 44
*Centennial Wireless	41052 ETC 46
Sprint PCS	41052 ETC 47

***Note:** IURC Cause No. 41052 ETC 45 was originally assigned to Centennial Wireless and was subsequently denied. Centennial filed a second petition under 41052 ETC 46 which was approved December 15, 2004.

Appendix B

Overview of Automatic Enrollment And On-Line Verification States

Definition:

Automatic enrollment is an electronic interface between a state agency and the carrier that allows low-income individuals to automatically enroll in Lifeline/Link-Up following enrollment in a qualifying public assistance program.

Automatic Enrollment Examples:

Utah: On May 1, 2005, (effective June 1st) the Public Service Commission issued a Notice of Proposed Rule or Change that makes the state responsible for verifying continuing eligibility and initiates an automatic enrollment process so that carriers no longer have the burden. Additionally, ETC's are required to report outreach efforts to the Public Service Commission and coordinate with agencies that administer any of the relevant government assistant programs to encourage public awareness of the Lifeline/Link-Up program.

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Massachusetts: In Massachusetts, households that qualify for LIHEAP can voluntarily give their permission, at the time of application, for the LIHEAP administering agency to disclose information to Verizon that allows the household to enroll in Lifeline. With permission, enrollment is done electronically. The Department of Transitional Services posts Lifeline/Link-Up information.

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New Jersey/New York: Verizon implemented an automatic enrollment program in April of 2003. They worked out an agreement with the social service agency. The NYS Office of Temporary and Disability Assistance (OTDA) sends Verizon a tape once a month. Verizon matches this tape to its last list and will send a letter to anyone new on the list and then ask anyone no longer on the list to re-certify. New York employed a confidentiality agreement between the state agency and the carrier to facilitate the release of qualifying information and safeguard consumer privacy rights. Verizon and OTDA negotiated their own contract (PSC NY. 1-Communications tariff, section 2, page 4 @ Verizon.Com. NY Commission staff intervened in the 2002 deal because the two sides were at impasse. The first contract was ordered by the Commission in a rate

structure plan in 1995. Since 2003, Verizon is no longer in a rate structure plan and continues to do it. NY Lifeline customers can purchase custom calling features which makes Verizon about \$40 million annually off of Lifeline subscribers.

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Carrier Contact: Verizon is the only one doing this because they make-up about 80% of all subscribers.

North Carolina: Currently, eligibility to participate in Lifeline/Link-Up is verified by Department of Health and Human Service (DHHS), which provides the potential participant with a form which he/she has to submit to the respective local service provider from which service would be provided. Verification and certification processes are currently being streamlined through the cooperative efforts of the major carriers and government agencies. Included in the streamlining will be the implementation of an electronic database. A task force known as the North Carolina Families Accessing Services through Technology (NC FAST) is in charge of this streamlining. The goal of NC FAST is to have one application completed by a social worker, which would be computer based, that includes all the information necessary to determine the applicant's eligibility for all the state's public benefits programs, and to enroll the applicants in all such programs. The implementation date for NC FAST combined application process is Fall 2007. DHHS will be the collector and communicator to provide the information to the respective service providers of those applicants who qualify for L/LU. The present concern is how to address information interface requirements between DHHS and the local service providers. The public benefit agencies process the applicant's for eligibility so there are no confidentiality problems. Participation rates continue to increase in North Carolina.

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Ohio: Currently companies that offer the enhanced Lifeline plan receive certain client information from the Department of Development that allows the phone companies to automatically enroll HEAP customers onto the enhanced Lifeline Plan. Twice a year, carriers send a list of zip codes for their area and DOD provides an electronic tape of clients that receive HEAP. The phone companies perform a match and automatically enroll customers into the program. They are also working with the Department of Family and Job Services to reinstate the same information sharing for automatic enrollment.

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Puerto Rico: In 2002 a special law was enacted for the automatic enrollment of Food Programs recipients into the Lifeline/Link-Up Program. There has been a continuous increase of Lifeline subscribers since they started the program.

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Texas: The Texas legislature mandated that all utility discount plans be administered by a third party called the Low Income Discount Administrator (LIDA). LIDA interfaces with the Texas Department of Human Services (TDHS) and ETCs for the purpose of automatic enrollment and to oversee the telephone Lifeline program and energy assistance program. The Texas Public Utility Commission promulgated rules for LIDA. When I spoke with the Public Utility Commission of Texas one year ago, their research showed a 35%-40% increase in participation in 2003-2004.

Chapter. 39.903 of the Public Utility Regulatory Act, Tex. Util. Code Ann. (1999), Section 7 provided the language for DHS and ERCOT data to be provided for automatic enrollment.

Chapter. 26, Subchapter P. in Substantive Rules address the Memorandum of Understanding between the commission and TDHS to facilitate automatic enrollment. TDHS obtained a signature on confidentiality agreements from the 64 ILECs and 20 CLECs. Each client was given a password for their territory to check eligibility of their customers.

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Definition

On-line Verification allows a carrier to immediately verify that a consumer receives public assistance, whether or not the consumer is a current telephone subscriber. An on-line verification database will also inform carriers about those customers no longer enrolled in qualifying public assistance programs. These programs vary.

On-Line Verification Examples:

Florida: BellSouth and Verizon, in conjunction with the Department of Children and Families (DCF), have implemented an electronic interface procedure for verification under the program-based standard. Under this procedure, BellSouth and Verizon electronically transmit a list of enrolled Lifeline customer to the DCF. The DCF verifies the list with its own internal database and identifies the customers who are no longer eligible for Lifeline and electronically forwards this information back to BellSouth and Verizon. This arrangement was done on a volunteer basis. There are no

confidentiality issues because DCF verifies the list with its own internal database and identifies the customers who are no longer eligible for Lifeline and electronically forwards this information back to BellSouth and Verizon.

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Idaho: The Idaho Department of Health & Welfare (H&W) administers the Telephone Service Assistance Program (ITSAP). Currently, most applications for ITSAP are taken in conjunction with the Low Income Home Energy Assistance Program (LIHEAP). H&W contracts with several community action agencies throughout the state to take applications for LIHEAP. The local agencies screen to see if someone signing up for LIHEAP also qualifies for ITSAP; if so, they're automatically signed up for ITSAP. By "automatic", means the applicant's name is added to the list and at some point is entered manually into the ITSAP database that calculates income eligibility for applicants & electronically forwards the information to the appropriate carrier. This information is accessible at a central location for application processing.

H&W is getting ready to replace its computer program (EPICS), with another program that will allow ITAP to be pegged to other low income programs in addition to LIHEAP. Apparently the new computer program will allow better matching of applicants' eligibility to available low income programs. This conversion is only in the initial planning stages, so there aren't a lot of specifics yet on how this will work.

There are no confidentiality issues, since ITSAP is administered by H&W. The Idaho PUC oversees the collection by carrier companies of a monthly fee from telecom customers. The money collected from customers is remitted to the ITSAP Fund Administrator. In turn, the Administrator distributes money to each carrier company to reimburse it for costs associated with the ITSAP recipients it serves.

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Illinois: In Illinois, ETC's can perform on-line verification of consumer's eligibility by obtaining real-time access to a database of state low-income assistance program participants. The result is a streamlined process for both consumers and ETCs.

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Maine: Maine has self-enrollment with an annual certification of eligibility conducted by the carriers. Under this process, carriers will submit their lists for eligibility verification to Department of Health & Human Services (DHHS) in a common electronic format (an Excel spreadsheet on CD-ROM). Participants agreed that the spreadsheet would include the columns that matched DHHS and Maine State Housing Authority (MSHA). Carrier mails their CD-ROM to DHHS and DHHS will remove the names of individuals receiving assistance from them. Then DHHS forwards the CD-ROM to MSHA (they keep the data for LIHEAP) who will do a second review and they will remove the names of LIHEAP eligible customers and return the CD-ROM containing the revised list to the carrier. Customer's names whose names appear on the revised list will be removed from the Lifeline/Link-Up programs.

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Minnesota: Minnesota verifies the income and /or disability on an annual basis. 85% of its Telephone Assistant Program participants are verified by the use of computer interfaces with the Minnesota Department of Revenue, public assistant databases, and LIHEAP databases. There are no confidentiality issues because they are only sharing the names who participate, not financial information.

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Nevada: Nevada has a state law (Nevada Revised Statute 707.400) establishing the program that welfare will provide ETCs with the names of individuals eligible for Lifeline and Link-Up programs. The state law puts the burden for developing the program on the Welfare Division. The ETCs receive information from the state Division of Welfare in an excel format. There is no confidentiality agreement in place.

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Contact 2: Vicki Kemp
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Oregon: The verification of program eligibility for Oregon Telephone Assistant Program (OTAP) is a process that you can use from any computer with access to the Internet. When an application is submitted, Public Utility Commission's (PUC) information service staff checks on-line in the Department of Health Services (DHS) database to determine whether the applicant is eligible and submits the eligible applicants once a month to the phone companies. Staff has on-line look-up capability into the DHS system that shows all of their clients and the codes of programs they receive which allows staff to determine eligibility of OTAP from a phone call or from an on-line application.

The PUC compiles a report each month of people receiving OTAP on their telephone bills according to our records. The electronic file contains the phone number, SSN, and last few digits of the last name. On the 12th of each month we submit the electronic list to DHS. DHS Information Systems staff runs the list against their active recipients and sends a list of terminated individuals. The list creates a termination letter due with process rights to mail to the customer.

PUC has contracted with the Social Security Administration which outlines confidentiality issues in the use of the data they supply. They recently needed access to additional information and analysis on the part of OTAP staff because the Public Assistance Programs at DHS changed their qualifying criteria. Because OTAP is a Public Assistant Program under federal law, we are able to ask for SSN's and they are a confidential program under the same set of laws as most DHS programs.

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Pennsylvania: Pennsylvania's Dept. of Welfare (DPW) has automatic notification system because it has been providing verification for carrier inquiries. If a customer receives social assistance through DPW, then the carrier can access this information and verify the applicant's information. The exception to the rule is if the client is with LIHEAP, National School Free Lunch program, or is qualifying through income only, then other types of verification need to be done. The client can deliver written copies of letters from the authorities acknowledging that the client is a recipient. In income alone, the Dept. of Revenue can act as a third party verifier. Most cases are verified through DPW.

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Tennessee: Once a carrier is provided documentation of an applicant's participation in one of the eligibility criteria, the carrier verifies the accuracy of the documentation electronically with the Tennessee Department of Human Services client database. Verification of continued eligibility is also accomplished by utilizing this electronic system. Tennessee requires re-verification of consumers on Lifeline no less than twice a year or every six months.

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Vermont: Vermont currently uses an electronic database for tracking enrollment and verification. The system was recently redesigned to accommodate the notification process and the advent of competition and number portability. The Agency of Human Service (AHS) maintains the list of persons eligible for Lifeline through their programs or those who have applied through the Tax Department due to income eligibility. AHS electronically sends lists of people to be added and deleted monthly to ETCs and annually provides a comprehensive list for true-up purposes. The arrangement is written into statute @ [http://www.leg.state.vt.us/statutes/fullsection.cfm? And Title=30&Chapter=005&Section=00218](http://www.leg.state.vt.us/statutes/fullsection.cfm?And Title=30&Chapter=005&Section=00218). A list of names is provided to the ETCs, not income information, so there are no confidentiality issues. This system has been in place since the early 90s and penetration rates have increased.

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Washington: When a customer requests the lifeline rate, the carrier contacts Department of Social and Health Service to determine eligibility of consumer. This process takes less than 90 seconds and the consumer is on hold while the provider determines eligibility.

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Wisconsin: If the customer states to the telecommunication provider that the household receives benefits from an eligible social service program, the provider provides a release for the customer to sign that allows use of the customer's Social Security Number (SSN) to query the Department of Workforce Development (DWD) database. The provider does a blind query of the DWD database and receives an immediate confirmation that the SS No. is found in one of the programs or a denial for failure to match.

(This is a current Wis. Adm. Code provision: PSC 160.06 Eligibility for low-income programs, (4) Query Authorization: Local exchange service providers shall comply with client authorization requirements of the Wisconsin department of workforce development, the Wisconsin department of revenue, or other state agencies for database queries necessary for eligibility verification. Customers shall complete and remit any reasonably required query authorization forms or forfeit eligibility.)

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